

OPERATING BUDGET POLICY

Why an Operating Budget Policy is Important

The operating budget is among the most important public documents the City of Durango produces. As a financial plan, it sets forth the taxing and spending direction. As a communications device, the operating budget makes the financial plan and service priorities transparent to public officials and citizens. The budget is a powerful expression of the vision for how Durango will service the community.

Scope

The operating budget policy shall apply to all operating funds.

Length of the Budget Period

The operating budget shall be produced annually.

Basis of Budgeting

The operating budget shall be prepared on a modified accrual basis whereby revenue is recognized when it becomes available and measurable, and expenditures are recognized when the liability is incurred. Purchases of materials, supplies, and equipment are considered expended when bought and depreciation expense for budgetary purposes is excluded. Encumbrances are considered obligations when the commitment is incurred.

Cost Allocation

The operating budget shall be prepared in a manner that reflects the full cost of providing services. A cost allocation plan shall be prepared every three years.

Level of Control

The level of control, which is the level at which spending cannot exceed the budgeted amount without formal City Council authorization, shall be at the Fund and Department level.

Balanced Budget

The operating budget for all operating funds will be structurally balanced. Recurring revenues will equal or exceed recurring expenditures in both the proposed and adopted budgets.

Budget Form and Information

The operating budget document shall include information on and align with the City of Durango Strategic Plan. The format of the document shall include estimated beginning fund balance, estimated revenues, estimated expenditures, and estimated ending fund balances; and include prior year actuals revenue/expenditures and estimated current year actuals as illustrated below for preparing the FY2022 budget. Additionally, fund balances shall be presented for the previous 5 years.

Description	FY 2020 Actual Expenditures	FY 2021 Adopted Budget	FY 2021 Adjusted Budget	FY 2021 Estimated Expenditures	FY 2022 Adopted Budget	% change Adopted to Adopted
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Long-Term Financial Forecasts

The operating budget shall include forecasts of major revenues and expenditures, extending ten years into the future. The forecasts, and underlying assumptions, shall be clearly stated. The forecasts shall be regularly monitored and updated annually.

Performance Measurement

The operating budget shall integrate performance measures into the operating budget development and budget document. Performance measures include both output and workload measures as well as efficiency and effectiveness measures. Effectiveness measures may include citizen surveys. The City will monitor progress by establishing measurable objectives and outcomes that correlate to the priorities in the strategic plan.